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SUBJECT: AMBASSADOR DISCUSSES HUMALA, DEVELOPMENT ISSUES IN  
AREQUIPA

REF: LIMA 4661

1. (SBU) Summary. On the fringes of the Third Annual Regional Agricultural Conference in Arequipa, November 27-28, the Ambassador met with local dignitaries to discuss a variety of issues, including regional development, the visit of presidential candidate Ollanta Humala to Arequipa, the recent regionalization vote and APRA party politics. During the course of the meetings, local officials emphasized the lack of regional support for Humala but noted that he was succeeding in polarizing the country's political scene. End Summary.

#### Development Issues

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2. (U) Arequipa, a prosperous agricultural area located in Peru's Southern highlands, is one of the most developed areas in Peru, with 8.5 percent economic growth this year. Both the Regional President and the Mayor lamented that one of Arequipa's most pressing problems is lack of potable water. Arequipa, like most of Peru, suffers from regular droughts. According to Regional President Daniel Ballon, more than 400,000 people in the Arequipa Department )- approximately one-third of the population )- lack access to potable water. Limited water supplies can often have a crippling effect on the local economy, he noted, as farmers may be unable to produce for profit.

3. (U) Mayor Yamel Romero explained that Arequipa could improve its water supply by building several dams and developing technology to improve the efficiency of water use. Cerro Verde Mine, a Phelps Dodge company and one of the largest firms in Arequipa, is currently working with the regional government to build two new dams in the region. These dams will not only improve the region's water collection capabilities but will also be used to feed irrigation systems.

4. (SBU) Regional President Ballon, who previously worked at Cerro Verde as an engineer and prides himself on his good relations with the mine, highlighted that Cerro Verde has contributed to the development of the surrounding area. In addition to the dam project, Cerro Verde recently partially funded a cancer research hospital in the city. The further expansion of Cerro Verde operations will also benefit the region economically, as the mine should seek to employ several hundred new workers. Regional President Ballon noted he is committed to working with Cerro Verde to further improve the mine's relations with the region.

5. (U) Both Ballon and Romero emphasized the need to diversify Arequipa's economy by improving tourism links between Arequipa and the rest of Peru. The Ambassador pointed out that cities in northern Peru, such as Cajamarca, Piura and Chiclayo, are developing a tourism circuit that could be a model for Arequipa. Ballon agreed, remarking that the government has participated in several international tourism trade shows in an effort to attract foreign tourists. Both the regional and local governments plan to further improve the region's already sound infrastructure. Regional President Ballon said that his government, with assistance from the Japanese, is in the process of paving new roads to connect tourist areas.

#### Discussing Ollanta Humala

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6. (SBU) Ollanta Humala, the ultra-nationalist Presidential candidate, visited Arequipa for several days prior to the Ambassador's visit to the region. During his meetings, the Ambassador seized the opportunity to inquire about Humala's recent campaigning and perceived support in Arequipa. Both the Regional President and Mayor asserted that Humala has very little support in the region. Regional President Ballon pointed out that Humala attracted less than 3,000 supporters at his rallies on November 26. Ballon opined that many of the attendees were merely curious about Humala and his ideas, rather than supporters of his presidential bid.

17. (SBU) Mayor Romero noted that Humala might succeed in the long run at capturing the votes of the poor and disenfranchised but underscored his doubts. While Humala has yet to establish a political platform, the Mayor commented that Humala has succeeded in polarizing the country, as the other presidential candidates have begun to focus less on their political agendas and more on his candidacy, shifting the emphasis away from the true political picture. Romero also felt that Humala committed a serious tactical error by allying himself in Arequipa with the Caceres Velasquez family, discredited former Fujimorista political bosses. (Note: Despite the contrary views of the two APRA leaders, polls consistently show the Southern Sierra area that includes Arequipa is Humala's strongest base. End Note.) APRA Politics and the Macroregion

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18. (SBU) APRA dominates both the municipal and regional governments in Arequipa but local party leaders do not have harmonious relations. The Regional President campaigned against the formation of a macroregion prior to the October referendum on that issue (which was consistent with APRA's nationwide position). Arequipa 's mayor, however, broke with party orthodoxy to campaign in favor of a "yes" vote. Arequipa was the only province in Peru in which a majority voted for formation of a macroregion, suggesting that the mayor's influence is unusually strong. A number of local business leaders dismissed that interpretation in conversations with the Ambassador, claiming that it was their efforts that carried the day for yes votes. Be that as it may, there is no question but that mayor Yamel Romero is a maverick within APRA. Just prior to the Ambassador's visit, Romero publicly called upon party leader Alan Garcia to step down if he does not win election as President in 2006. While Romero downplayed this statement to the Ambassador, he admitted his frustration with the party, noting that many of its younger members have a vision of the future that differs from the current leadership. It was equally clear that Romero and Ballon (and apparently their staffs) do not talk to one another. The mayor requested that the Ambassador help Arequipa establish contacts with organizers of foreign tourism fairs and was surprised to learn that the regional government had already launched a serious effort to market Arequipa as a destination with foreign tour package operators.

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